

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

CARROLL COUNTY WATER DISTRICT NO. 1'S)	
APPLICATION FOR A CERTIFICATE OF)	
PUBLIC CONVENIENCE AND NECESSITY FOR)	
THE CONSTRUCTION OF FACILITIES FOR THE)	CASE NO.
DISTRICT AND APPROVAL OF A LEASE)	95-062
AGREEMENT IN THE PRINCIPAL AMOUNT OF)	
\$1,250,000 TO FINANCE SUCH FACILITIES)	
AND TO REFUND CERTAIN PRIOR)	
INDEBTEDNESS)	

O R D E R

Carroll County Water District No. 1 ("Carroll District") has applied for a Certificate of Public Convenience and Necessity for certain improvements to its existing office and maintenance buildings and the purchase of certain real estate and for authority to execute a 20 year lease agreement in the principal amount of \$1,250,000 with Star Bank, Kentucky, N.A. ("Star Bank").

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

1. Carroll District proposes to execute a lease agreement with Star Bank. Under the terms of this agreement, Carroll District will lease its facilities to Star Bank for 20 years for an immediate payment of \$1,250,000. Carroll District further agrees to lease the same facilities from Star Bank for a 20 year period. Carroll District's annual rental payment will be \$128,839. The rental payment represents an effective interest rate of 7.50 percent per annum on the \$1,250,000 received.

2. Carroll District proposes to use the proceeds from the lease agreement in the following manner: \$1,160,000 for refunding existing bond obligations, \$52,000 for the acquisition of certain land on which water wells will be constructed, \$33,000 for the renovation of existing facilities, and \$5,000 for bond counsel fees.

3. The lease agreement will reduce Carroll District's debt service by \$1,156,317 over the remaining term of its existing bond obligations. Based on a 7.5 percent rate of interest, the net present value of this reduction is \$190,310.

4. The lease agreement is for a lawful object within Carroll District's corporate purposes, is necessary and appropriate for the proper performance of Carroll District's service to the public and will not impair Carroll District's ability to perform that service. It is reasonably necessary and appropriate for such purpose.

5. Carroll District proposes to renovate its current office in Ghent, Kentucky. Carroll District has failed to provide the renovation plans, the proposed cost of the renovation, and other information necessary to determine the need for the proposed construction. A ruling on that portion of Carroll District's application which requests a Certificate of Public Convenience and Necessity for the building renovation should be deferred until additional information is provided.

6. Carroll District has also requested a Certificate of Public Convenience and Necessity for the purchase of certain real

estate. As KRS 278.020(1) does not require a utility to obtain a Certificate of Public Convenience and Necessity for purchase of real estate, that portion of Carroll District's application is moot.

7. Carroll District should be granted a deviation from Commission Regulation 807 KAR 5:001, Section 6, and may submit financial reports with its application which cover a period exceeding 90 days from the date of its application.

IT IS THEREFORE ORDERED that:

1. Carroll District is authorized to enter the lease agreement.

2. Carroll District shall use the proceeds from the lease agreement only for the lawful purposes set out in its application.

3. Carroll District's application for a Certificate of Public Convenience and Necessity to purchase certain real estate for a well field is denied as moot.

4. Carroll District is granted a deviation from Commission Regulation 807 KAR 5:001, Section 6, and may submit financial reports with its application which cover a period exceeding 90 days from the date of its application.

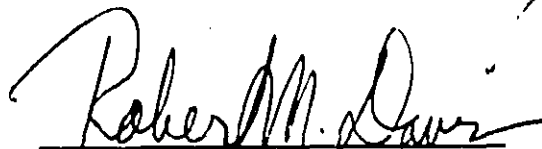
Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the

Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 22nd day of February, 1995.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director